



HIGHLAND PREP

September 12, 2019

CREDIT ENHANCEMENT PRESENTATION FOR:

# HIGHLAND PREP

## Surprise, Arizona





## INTRODUCTION

### **DR. KERRY CLARK**

Founder & Executive Director

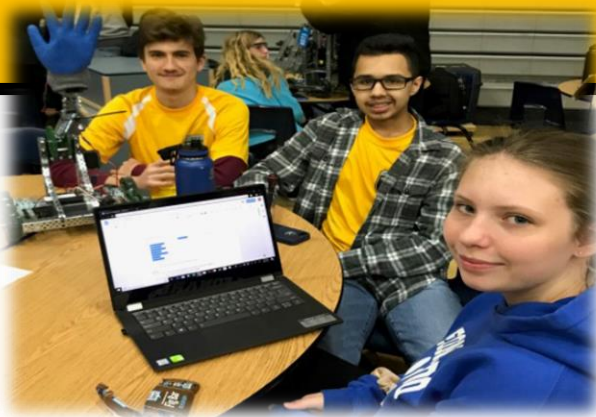
### **SCOTT KIES**

Board Member

# THE SCHOOL



HIGHLAND PREP



## HIGHLAND PREP: WHO ARE WE?

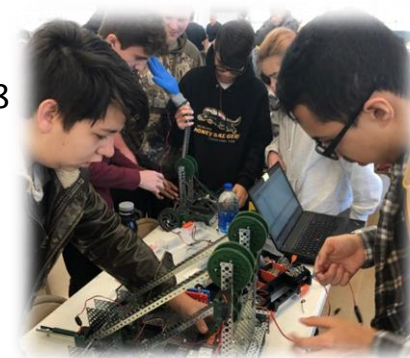
**In its first two years of operation, HIGHLAND PREP:**

- ...earned and was issued a **Letter Grade of "A"** by the ADE for the 2018 school year
- ...had its Robotics Team ranked as **21<sup>st</sup> in the Nation**
- ...**highest achieving high school** in Surprise, AZ in its first two years of operation



**Under the current leadership and education model, MADISON HIGHLAND PREP:**

- ...earned a **Letter Grade of "A"** by the ADE for the 2016, 2017 and 2018 school years
- ...was just the **31st High School in the World** to receive International STEM Certification
- ...was **Ranked by U.S. News & World Report** and recognized as one of America's Best High Schools in 2017, 2018, and 2019
- ...received a **Distinguished District Award** from Project Lead the Way in 2017-2018
- ...has a **100% College and Career Readiness** Rating from the ADE
- ...had a **100% Graduation Rate** for 2019
- ...had a **100% 4-year College and University acceptance rate** for 2019 and grads received \$3.8 million of scholarships





## HIGHLAND PREP: WHO ARE WE?

- Highland Prep opened for the 2017-18 school year as a sister school to Madison Highland Prep, a nationally ranked charter school located in Phoenix
- Highland Prep and Madison Highland Prep are STEM college-preparatory charter high schools and share common governance, management, academic and program models
- Highland Prep has grown from 81 students (2017-18) to its current enrollment of 344. Madison Highland Prep serves approximately 450 students.
- The financing being considered for credit enhancement will allow Highland Prep to purchase its currently leased facility. Highland Prep will be the sole obligor for the financing.



## CHARTER CONTRACT & AUTHORIZER

- Highland Prep entered into its initial 15-year charter contract with the Arizona State Board for Charter Schools (ASBCS) for Highland Prep on December 14, 2016, authorizing the school to serve students in grades 9 through 12. Its sister school, Madison Highland Prep, entered into its initial 15-year charter contract with the ASBCS on February 19, 2015 authorizing Madison Highland Prep to serve students in grades 9 through 12.
- The ASBCS currently authorizes Highland Prep to educate 450 students at the Highland Prep Campus. The ASBCS currently authorizes Madison Highland Prep to educate 550 students at the Madison Highland Prep Campus.





## SCHOOL LOCATIONS

Highland Prep's campus is located just west of Reems Road, a major north-south arterial street, and just north of Waddell Road, a major east-west arterial street, in Surprise, Arizona. The site is located approximately one mile west of the Loop 303, a freeway that connects Interstate 17 to Interstate 10 in the Phoenix metropolitan area. Although a large percentage of the families of students enrolling at Highland Prep live and work in the immediate area, for those families that plan to drive from other areas of the city the location is easily accessible.

The campus consists of 7.07 acres and contains a two-story facility that totals 35,244 square feet. The property includes other various site improvements including paved parking, playground, sport court, grass play areas and fencing. The facilities were completed in 2018. A recent appraisal valued the property at \$10,827,000.





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## SCHOOL FACILITIES TO BE PURCHASED WITH BOND PROCEEDS





## CURRICULUM

- Highland Prep is a STEM college-preparatory high school and features rigorous academic programs with an emphasis on 21st century preparation defined by critical thinking and inquiry learning.
- Highland Prep's curriculum program is dynamic, rigorous and relevant to students who are preparing to compete with students from around the world in a new and increasingly innovative global arena. Highland Prep strives to ensure that its curriculum and instruction is strategically designed so that each student receives individual attention to their personal goals with innovative pathways. We understand that it is the education team's responsibility to prepare students to be creative, adaptive and innovative in their thinking.
- Highland Prep's curriculum program is based on Arizona's College and Career Ready Standards, as well as other rigorous state standards. Highland Prep strives to ensure that the standards are implemented with fidelity so that a consistent set of English Language Arts ("ELA") and Mathematics expectations are established that result in a high-quality preparation of all students for college and career.



***Students from Highland Prep's Robotics Team take home a first place trophy at a recent competition. The team was ranked 21<sup>st</sup> in the nation in June 2019.***

## ACADEMIC PERFORMANCE | STATE LETTER GRADES

- **Highland Prep earned and was issued a letter grade of “A” by the ADE for the 2017-2018 school year.** Subsequent to the issuance of the “A” letter grade, the ADE made a statewide policy decision that schools in their first year of operation would not be issued letter grades. Based upon this new policy, the ADE replaced the previously-issued letter grades for new schools with an indication that the school was a “New School” that was not eligible for a letter grade.
- **Madison Highland Prep has earned letter grades of “A” from the ADE for the last three consecutive years (2016-2018).** As noted throughout this presentation, Madison Highland Prep is an affiliate school with the same management team.





## ACADEMIC PERFORMANCE VS. COMPETITION

- The following table provides a summary of the six competitive schools that are closest to the Highland Prep campus and their respective AzMERIT results. Highland Prep will generally compete with schools in the Dysart Unified School District.

AzMERIT Results (2017-18 School Year)		
	ELA	Math
State of Arizona Average	41%	41%
<b>Highland Prep (Surprise)</b>	<b>78%</b>	<b>84%</b>
Paradise Honors	54%	53%
Imagine Prep Surprise	45%	43%
Shadow Ridge High School	37%	35%
Willow Canyon High School	34%	30%
Valley Vista High School	28%	29%
Dysart High School	26%	27%

# OVERVIEW OF FINANCING



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## PRELIMINARY SOURCES AND USES OF FUNDS

### >> Bond proceeds will be used to:

- 1) Purchase the School Facilities
- 2) Pay for the costs of FF&E
- 3) Fund capitalized interest
- 4) Fund a debt service reserve fund in the amount of one year's debt service
- 5) Pay the cost of issuing the bonds

#### Sources

Proposed Bonds	\$ 10,745,000
Original Issue Premium	1,306,262
Contingency	948,738
Total Sources	\$ 13,000,000

#### Uses

Acquire Facility	\$ 10,500,000
Furniture, Fixtures, Equipment	250,000
Capitalized Interest	107,450
Debt Service Reserve Fund	648,000
Cost of Issuance (Estimated)	545,812
Contingency	948,738
Total Uses	\$ 13,000,000

Highland Prep is requesting, on a not to exceed basis, approval for \$13 million of guaranteed financing. This amount is higher than described on this slide, to account for contingency, bond-premiums and bond market pricing variances.

Current bond market structures envision the purchasers to pay a large premium for the bonds, thus reducing the principal guarantee required. However, these market conditions may or may not be present at the actual time of bond sale.





## SAVINGS BENEFITS OF CREDIT ENHANCEMENT

### >> Annual Rent Savings

The current annual rent for our building is approximately \$800,000 per year. Utilizing the Credit Enhancement, our projected maximum annual debt service is \$650,000, thus saving us \$150,000 per year. If we do not obtain the credit enhancement, our annual bond payment is estimated at approximately \$850,000 per year.

Thus the enhancement not only saves us versus the lease cost, it saves more than \$200,000 per year compared to an unenhanced bond issue. These savings can be put back into the classroom and allows us to move ahead with Phase II described below.

### >> Future Expansion

The site we are purchasing was completed in August 2018. As part of the master plan, a building pad (with utilities stubbed-in) was created to more easily allow for future expansion. This Phase II construction would be a 7,500 square foot addition to the current building that would allow us to enroll an additional 150 students to meet future demand. Under current cost estimates of \$140 per square foot, we'd estimate the cost of the expansion at \$1,050,000. The savings from credit enhancement of our bonds would be a key component to allow for the expansion within the next three years. It would make little sense, and be difficult for us to do this expansion if we do not own the building.

### >> Increase Enrollment

The assumed cost savings provided by the credit enhancement will operationally allow us to fully support the addition of the 12th grade and all of the teaching staff and equipment required. In addition, the credit enhancement would provide cash savings and debt capacity to allow the Phase II expansion on a much faster timetable, allowing for more student capacity.

# ENROLLMENT & DEMOGRAPHIC TRENDS



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## ENROLLMENT

Grade	Historical		Current	Projected			
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23*	2023-24*
9	81	123	143	130	120	165	180
10		95	115	150	140	145	170
11			86	130	140	165	150
12				90	120	145	170
Total:	81	218	344	500	520	620*	670*



Highland Prep had student **retention of approximately 94%** for the past two school years.

\* Included in the number of students projected for the 2022-23 and 2023-24 school years is the addition of 100 and 150 students, respectively, and is contingent upon the addition of the Phase II building.





## ENROLLMENT DEMOGRAPHICS

The following tables reflect the 2018-2019 demographics of each of the schools that are currently operational, along with demographics of the communities in which they are located, based upon student headcount (not ADM).

<b>Race</b>	<b>Highland Prep</b>	<b>City of Surprise</b>
White	50.00%	76.50%
American Indian	0.60%	1.30%
Hispanic	36.61%	18.30%
African American	5.95%	13.40%
Asian	3.27%	5.90%
Two or More Races	2.68%	2.70%
<b>Race</b>	<b>Madison Highland Prep</b>	<b>City of Phoenix</b>
White	37.10%	42.30%
American Indian	2.55%	2.00%
Hispanic	50.00%	30.30%
African American	3.88%	6.80%
Asian	3.02%	3.50%
Two or More Races	3.45%	15.10%

Each of Highland Prep and Madison Highland Prep participate in the federal Free and Reduced Lunch Program. The following shows the rates at which students are eligible for the program, as compared to the local public-school district.

<b>School</b>	<b>Percentage Eligible</b>	<b>Surrounding School District</b>	<b>Percentage Eligible</b>
Highland Prep	38%	Dysart Unified School District	51%
Madison Highland Prep	62%	Phoenix Union High School District	67%

# LEADERSHIP & GOVERNANCE



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## CORPORATE GOVERNANCE

- Highland Prep and Madison Highland Prep are governed by a corporate board that is responsible for managing corporate affairs, compliance with State corporate laws, appointing members of the Governing Boards and oversight of the Governing Boards.
- Highland Prep and Madison Highland Prep are each governed by a separate Governing Board which is responsible for school operations, development and approval of School budgets, review and approve curriculum, compliance with the State's charter-school laws, compliance with federal, State and local rules, regulations and statutes relating to health, safety and civil rights, compliance with financial and electronic-data submission requirements, compliance with charter-contract requirements and policy decisions within the meaning of the Arizona Revised Statutes.

HIGHLAND PREP BOARD OF DIRECTORS		
Name	Corporate/Board Title	Employment
Dr. Kerry Clark	President	Principal - Madison Highland Prep
Scott Kies	Treasurer	Owner - Aspire Business Consultants, Inc.
Annie Gilbert	Director	Senior Director of Finance & Operations - Ball Charter Schools
Dr. Donald Enz	Director	Educational Consultant - EDWorks
Bill Bressler	Director	Educational Consultant - Waltz Construction



## HIGHLAND PREP LEADERSHIP TEAM

HIGHLAND PREP KEY LEADERSHIP			
Name	Title	Post Secondary Degrees	Years in Education
Dr. Kerry Clark	Executive Director	B.A. - Political Science M. Ed. - Curriculum & Instruction Ed. D - Educational Leadership	18 Years
Jack Bagley	Principal	B.S. - Marketing & Business M. Ed. - Educational Leadership	21 Years
Steven Mack	Director of Curriculum	B.A. - Political Science M.A. - Political Science	17 Years
Joseph Kovesdy	Academic Coach	B.A. - Journalism M.A. - English M. Ed.	4 Years



## TEACHING AND OTHER STAFF

- Highland Prep employs 13 full-time teachers and two part-time teachers, as well as five full-time-equivalent administrative/support positions, including a Principal, a Director of Curriculum and an Academic Coach.
- Madison Highland Prep employs 17 full-time teachers, two part-time teachers and two teacher aides, as well as five full-time-equivalent administrative/support positions, including a Principal, a Director of Curriculum, an Academic Coach, an Office Manager and a Registrar.
- Salaries for full-time teachers range from \$40,000 to \$52,000 per year. In addition to salary, full-time employees have a benefits package that includes health, dental and vision insurance, short-term and long-term disability insurance, life insurance and a retirement plan.

# FINANCIAL HISTORY & PROJECTIONS



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# STATEMENT OF ACTIVITIES (2018 – 2024)

Fiscal Years Ended June 30:	2018	2019	2020	2021	2022	2023	2024
	(Audited)	(Audited)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
<b>Enrollment</b>	<b>81</b>	<b>218</b>	<b>344</b>	<b>500</b>	<b>520</b>	<b>520</b>	<b>520</b>
State Equalization Program	\$ 696,022	\$ 1,785,158	\$ 2,894,527	\$ 3,848,638	\$ 4,084,782	\$ 4,146,766	\$ 4,209,680
Other State Revenue	50,512	140,251	215,857	282,902	295,677	295,677	295,677
Other Income	39,158	48,637	40,000	40,000	40,000	40,000	40,000
Federal Grants	208,665	302,320	40,000	45,000	45,000	45,000	45,000
<b>Total Revenue</b>	<b>\$ 994,357</b>	<b>\$ 2,276,366</b>	<b>\$ 3,190,384</b>	<b>\$ 4,216,540</b>	<b>\$ 4,465,459</b>	<b>\$ 4,527,443</b>	<b>\$ 4,590,357</b>
Academic Programs	777,778	1,796,330	-	-	-	-	-
General and Administrative	133,641	197,659	-	-	-	-	-
Salaries, Wages & Benefits	-	-	1,019,181	1,320,116	1,359,720	1,400,511	1,442,527
Academic Supplies	-	-	45,000	46,350	47,741	49,173	50,648
Administrative Supplies	-	-	30,000	30,900	31,827	32,782	33,765
Marketing and Advertising	-	-	15,000	15,450	15,914	16,391	16,883
Accounting/Computer Maintenance/Le	-	-	55,000	56,650	58,350	60,100	61,903
Special Education - Contract	-	-	58,000	59,740	61,532	63,378	65,280
Athletics	-	-	35,000	55,000	56,650	58,350	60,100
Curriculum/Textbooks	-	-	100,000	103,000	106,090	109,273	112,551
Facility Rent	-	-	666,090	811,302	823,472	835,824	848,361
Insurance	-	-	35,000	36,050	37,132	38,245	39,393
Utilities	-	-	150,000	154,500	159,135	163,909	168,826
Building and Grounds Maintenance	-	-	50,000	51,500	53,045	54,636	56,275
Furniture	-	-	50,000	51,500	53,045	54,636	56,275
AV/Computer Equipment	-	-	75,000	77,250	79,568	81,955	84,413
Equipment Rental	-	-	25,000	25,750	26,523	27,318	28,138
Professional Development/Training/Trc	-	-	15,000	15,450	15,914	16,391	16,883
Food Service	-	-	25,000	25,750	26,523	27,318	28,138
Transportation	-	-	2,500	2,575	2,652	2,732	2,814
Dues and Fees	-	-	2,500	2,575	2,652	2,732	2,814
Printing	-	-	5,000	5,150	5,305	5,464	5,628
Miscellaneous	-	-	15,000	15,450	15,914	16,391	16,883
Capital Outlay	-	-	-	50,000	50,000	60,000	60,000
Contingency	-	-	41,373	42,614	47,982	49,051	50,147
<b>Total Expense</b>	<b>\$ 911,419</b>	<b>\$ 1,993,989</b>	<b>\$ 2,514,644</b>	<b>\$ 3,054,622</b>	<b>\$ 3,136,686</b>	<b>\$ 3,226,560</b>	<b>\$ 3,308,645</b>
<b>Change in Net Assets</b>	<b>\$ 82,938</b>	<b>\$ 282,377</b>	<b>\$ 675,740</b>	<b>\$ 1,161,918</b>	<b>\$ 1,328,773</b>	<b>\$ 1,300,883</b>	<b>\$ 1,281,712</b>
+ Depreciation and Amortization	2,238	6,999	-	-	-	-	-
+ Rent Expense	47,900	451,289	666,090	811,302	823,472	835,824	848,361
+ Capital Outlay	-	-	-	50,000	50,000	60,000	60,000
+ Contingency/Reserve	-	-	41,373	42,614	47,982	49,051	50,147
<b>Income Available for Debt Service</b>	<b>\$ 133,076</b>	<b>\$ 740,665</b>	<b>\$ 1,383,203</b>	<b>\$ 2,065,834</b>	<b>\$ 2,250,227</b>	<b>\$ 2,245,758</b>	<b>\$ 2,240,220</b>
Pro-Forma Annual Debt Service	N/A	N/A	\$ 349,213	\$ 456,663	\$ 651,175	\$ 647,875	\$ 649,350
<b>Pro-Forma Debt Service Coverage</b>	<b>N/A</b>	<b>N/A</b>	<b>3.96x</b>	<b>4.52x</b>	<b>3.46x</b>	<b>3.47x</b>	<b>3.45x</b>
Pro-Forma MADS	\$648,000	\$648,000	\$648,000	\$648,000	\$648,000	\$648,000	\$648,000
<b>Pro-Forma MADS Coverage</b>	<b>0.21x</b>	<b>1.14x</b>	<b>2.13x</b>	<b>3.19x</b>	<b>3.47x</b>	<b>3.47x</b>	<b>3.46x</b>



# QUESTIONS & FINAL COMMENTS



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